

Message Text

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PAGE 01 CARACA 00654 01 OF 02 212249Z

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 INT-05 OES-06

STR-04 IO-13 ACDA-07 DHA-02 PC-01 CU-02 AGRE-00 /125 W

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6327

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 654

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TAGS: PFOR VE

SUBJ: US AND VENEZUELA: II NATURE OF OUR

RELATIONSHIP

REF: CARACAS 653

1. NOTE THIS IS THE SECOND OF A TWO-CABLE SERIES.
THE FIRST OUTLINED THE VENEZUELAN SETTING; THIS ONE DEALS WITH
ITS MEANING FOR US DIPLOMACY AND THE MAIN ISSUES WE SHOULD
THINK ABOUT. IT IS INTENDED AS A SUGGESTED CONCEPTUAL
FRAMEWORK FOR PERCEIVING AND DEALING WITH VENEZUELA.

2. SUMMARY: HOW VENEZUELA ACQUIRES ITS DEVELOPMENT
NEEDS-- HIGH CAPITAL FLOW, SKILLED MANPOWER, ADEQUATE
TECHNOLOGY -- HOW IT INTERNATIONALLY EXPRESSES ITS
INTERNAL DYNAMICS; AND ABOVE ALL HOW IT SEEKS TO SOLVE
ITS PRIMORDIAL PROBLEM OF "SEWING OIL" TO DEVELOP,
DIVERSIFY AND STABILIZE ITS ECONOMY AND SOCIETY--WILL
ALL SHAPE VENEZUELA'S RELATIONSHIP TO THE US.
(AND TO THE WORLD). HOW WE RESPOND TO THESE NEEDS
AND OPPORTUNITIES WILL BE SEEN BY VENEZUELA AS
SOMETHING OF A LITMUS TEST OF THE VALUE OF OUR
FRIENDSHIP AND COOPERATION.

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PAGE 02 CARACA 00654 01 OF 02 212249Z

3. US-VENEZUELAN RELATIONSHIPS OVER THE NEXT FEW
YEARS WILL BE PRIMARILY EFFECTED BY FOUR MAJOR
QUESTIONS: A). THE CENTRAL ISSUE OF OIL PRICE AND
SUPPLY; B) THE CHALLENGE-- AND SENSITIVITIES-- OF NEWLY
ASSERTIVE VENEZUELAN DIPLOMACY; C) THE PROBLEMS AND
OPPORTUNITIES OF INVESTMENT AND TRADE; AND D) THE

OPPORTUNITIES FOR TRANS-SOCIETAL LINKS AND ASSISTANCE
PRESENTED BY VENEZUELA'S NEED FOR TRAINING, EDUCATIONAL
PROGRAMS AND TECHNOLOGY.

4. A CLUSTER OF OIL ISSUES LIE AT THE HEART OF OUR
PRESENT RELATIONSHIP: A) HOW TO DEAL WITH THE BASIC
CONFLICT OF INTEREST OVER OIL PRICES; B) HOW TO DEAL
WITH THE QUESTION OF SECURITY OF OIL SUPPLY, ESPECIALLY
WHETHER OR NOT TO REFLECT IN OUR IMPORT "PROFILE" A
SPECIAL ROLE FOR VENEZUELA'S OIL EXPORTS C) WHETHER
GOVT-TO GOVT PURCHASES OF OIL ARE IN OUR
INTEREST; D) WHETHER THE USG SHOULD SEEK TO USE
VENEZUELA'S UPCOMING NEED FOR EXPANDED EXPLORATION
AND EXPLOITATION AS A TRADE-OFF FOR SUPPLY, INVESTMENT
OR ASSISTANCE.

5. OTHER THEMES WHICH REQUIRE IMMEDIATE
ATTENTION ARE : A) HOW TO TAKE ADVANTAGE OF
VENEZUELA'S DIPLOMATIC ACTIVISM TO CHANNEL IT TO
HELPFUL ROLES; B) HOW TO RELATE VENEZUELA'S SELF-
ASSERTIVE ROLE TO THE BROADER NORTH-SOUTH ISSUES;
C) HOW TO MOUNT IMAGINATIVE AND EFFECTIVE PROGRAMS
TO TAKE ADVANTAGE OF VENEZUELA'S DESIRES FOR
TECHNOLOGY AND TECHNICAL ASSISTANCE, AND THUS CREATE
LINKS AND TIES THAT CAN LEAD TO LONG RANGE FRIENDSHIP
AND INFLUENCE; D) HOW TO PUSH TRADE EFFECTIVELY
BOTH WAYS.

6. UNDERLYING ALL OF THIS IS A MORE FUNDAMENTAL
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PAGE 03 CARACA 00654 01 OF 02 212249Z

QUESTION, FUNDAMENTAL BECAUSE UPON IT'S ANSWER DEPENDS
THE PARTICULAR CAST OF ON-GOING POLICY. THAT
QUESTION IS HOW IMPORTANT THE SURVIVAL AND PROSPERING OF
VENEZUELA'S DEMOCRACY IS TO US. IF IT IS IMPORTANT,
THEN THE SUCCESS OF PRESIDENT PEREZ' PROGRAMS
AND DEVELOPMENT PLANS ARE IN OUR INTEREST. IF IT IS
IMPORTANT, WE MUST BEGIN NOW TO THINK ABOUT WHAT OUR
RELATIONSHIP SHOULD BE AFTER 1979-80 WHEN DIFFICULT
ECONOMIC AND POLITICAL CHOICES WILL PROBABLY CONFRONT
VENEZUELA. END SUMMARY.

7. ISSUES. A. OIL. OIL LIES AT THE HEART
OF OUR RELATIONS WITH VENEZUELA. NOW THAT
NATIONALIZATION IS AN ACCOMPLISHED FACT, THE
ISSUE OF OIL TAKES THE FORM OF TWO PROBLEMS:
PRICE AND SUPPLY. AS NOTED IN REF, VENEZUELA'S
INTEREST AND INTERNAL DYNAMICS LEAD IT TO PRESS
FOR HIGHER PRICES. AS ITS PRODUCTION LEVEL DECLINES
THE PRESSURE FOR HIGHER PRICES CAN ONLY INCREASE.

GIVEN OUR STATED POLICY OF OPPOSING PRICE INCREASES
AND EVEN FAVORING A MODERATE ROLL BACK, AS WELL AS DENYING
TO OPEC THE CAPACITY TO SET OIL PRICES BY ITSELF,
THE PRICE ISSUE REPRESENTS A BASIC CONFLICT OF INTEREST.
THE POSITIONS AS STATED UP TO NOW ON BOTH SIDES DO
NOT ADMIT OF COMPROMISE; IT IS A ZERO SUM GAME.

8. IN CONTRAST TO PRICE THERE IS A COMPLEMENTARITY
OF INTEREST WITH REGARD TO SUPPLY: THE US IS A
NATURAL MARKET FOR VENEZUELAN OIL AND VENEZUELA IS
STILL A SECURE SOURCE FOR US. THE US HAS GIVEN
VENEZUELA NO INDICATION OF RECOGNIZING OR REWARDING
THE FACTOR OF SECURITY OF SUPPLY. INDEED THE HISTORY
OF US POLICY PROVIDES STRONG INCENTIVES TO VENEZUELA
TO LESSEN ITS DEPENDENCE UPON BOTH THE US MARKET
AND THE OIL COMPANIES. NOT SURPRISINGLY, VENEZUELA
VIEWS DEPENDENCE ON THE US MARKET OR AT LEAST TRADITIONAL
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PAGE 04 CARACA 00654 01 OF 02 212249Z

CHANNELS AS A SOURCE OF INSECURITY AND FRUSTRATION, AND
CONSEQUENTLY SEEKS TO LESSEN ITS LINK TO US, DIVERSIFYING BOTH
ITS MARKETS AND EXPECIALLY ITS MARKETING ARRANGMENTS.

9. THE US OUGHT TO CONSIDER WHETHER THE SUPPLY
QUESTION OFFERS ANY ACCOMMODATING APPROACH TO THE
CONTRADICTION OF INTERESTS ON THE PRICE ISSUE, I E
WHETHER ANY TRADE-OFF OF GUARANTEED MARKET FOR GUARANTEED
PRICE IS POSSIBLE. THE US ALSO OUGHT TO CONSIDER
THE QUESTION OF SECURITY OF SUPPLY AS ITS DEPENDENCE
ON IMPORTS GROWS. AN IMPORT POLICY BASED UPON SECURITY
AND POLITICAL FACTORS WOULD OF COURSE HAVE TO INVOLVE
OFFICIAL DECISIONS RATHER THAN PURELY COMMERCIAL ONES.
AN OVERALL IMPORT/SECURITY POLICY WILL, MOREOVER,
MAKE SENSE ONLY IN THE FRAMEWORK OF A LARGER, COM-
PREHENSIVE ENERGY POLICY. SIMILARLY, THE PRICE ISSUE
ITSELF IS LIKELY TO BE FINALLY RESOLVED ONLY IN TERMS
OF SOME BROADER WORLD-WIDE ACCOMODATION INVOLVING
THE GENERIC QUESTION OF RELATING OIL PRICE TO THE
PRICE LEVEL OF MANUFACTURED GOODS IN SOME WAY.

10. B DIPLOMATIC ACTIVISM- NORTH/SOUTH DIALOGUE.
VENEZUELA'S DIPLOMATIC ACTIVISM AS A CHAMPION OF THE
THIRD WORLD IN THE NORTH/SOUTH DIALOGUE WILL CONTINUE
TO CHALLENGE AND IRRITATE US. PEREZ TAKES THIS VERY
SERIOUSLY AND HIS PERCEPTIONS OF OUR REACTIONS TO
VENEZUELAN INITIATIVES WILL INFLUENCE VENEZUELAN

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PAGE 01 CARACA 00654 02 OF 02 212258Z

ACTION ARA-10

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6328

C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 0654

CONCLUSIONS ABOUT THE VALUE OF COOPERATION
AND FRIENDSHIP WITH US. A CONSTRUCTIVE U.S.
RESPONSE TO THE VENEZUELAN NORTH/SOUTH
POSITION IS THE SINGLE MOST IMPORTANT ACTION
WE CAN TAKE IN TERMS OF IMPROVING OUR BILATERAL
RELATIONS IMMEDIATELY.

11. C. DIPLOMATIC ACTIVISM-LATIN AMERICAN SOLIDARITY.
VENEZUELA WILL SEEK TO STRENGTHEN LATIN AMERICAN
SOLIDARITY AND TO ACHIEVE UNIFIED LATIN AMERICAN
POSITIONS ON PROBLEMS OF GENERAL CONCERN. THIS WILL
PARALLEL THE HEMISPHERIC TREND TOWARD A MORE ADVERSARIAL
RELATIONSHIP WITH THE U.S. IN THE SENSE OF BARGAINING
ON MATTERS OF COMMON CONCERN. VENEZUELA WILL ALSO
INTENSIFY ITS ACTIVISM IN THE CARIBBEAN (AS A REGION
OF PRIME CONCERN TO IT); SUPPORT MORE ACTIVE SUB-
REGIONAL INTERACTION INCREASINGLY INFLUENCED BY THE
LATIN AMERICAN "MIDDLE" POWERS; PROMOTE MORE ACTIVE
BARGAINING OVER GLOBAL ECONOMIC ARRANGEMENTS.

12. VENEZUELA'S DIPLOMATIC ACTIVISM IS NOT LIKELY TO
THREATEN SIGNIFICANT U.S. INTERESTS BECAUSE:
PEREZ' INITIATIVES TEND TO BE AD HOC, IMPULSIVE
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PAGE 02 CARACA 00654 02 OF 02 212258Z

AND LACKING IN FOLLOW-THROUGH; IT IS NOT EASY TO
"LEAD" LATIN AMERICA, WHICH CAN BE EXPECTED TO
RESIST VENEZUELAN LEADERSHIP TO SOME DEGREE; AND

VENEZUELA IS PRAGMATIC AND MODERATE IN STYLE
ANS SEEKS REALISTIC, PRACTICAL SOLUTIONS TO
PROBLEMS.

13. NONETHELESS SO LONG AS PEREZ IS PRESIDENT
AND PEREZ GUERRERO IS INVOLVED IN THE NORTH/
SOUTH DIALOGUE VENEZUELA WILL PLAY A LEADERSHIP
ROLE. WHAT WE SHOULD CONSIDER IS WHETHER IT IS NOT
IN OUR LONG RANGE INTEREST TO HAVE DEMOCRATIC
VENEZUELA, WITH ITS BASIC RESIDUE OF FRIENDSHIP AND LIKING
FOR US, PLAY THIS LEADERSHIP ROLE RATHER THAN SOME
OTHER ACTOR MORE NEGATIVELY DISPOSED. OPPORTUNITIES
EXIST FOR VENEZUELA TO CONTRIBUTE POSITIVELY AND
PLAY AN INTERLOCUTORY ROLE IN SUCH PROBLEMS AS LATIN
AMERICAN ARMS LIMITATION, PERU-CHILE TENSION, HUMAN RIGHTS
AND NORTH/SOUTH DIALOGUE. IT IS OUR CHALLENGE TO
OBTAIN VENEZUELA'S CONSTRUCTIVE PARTICIPATION IN
THESE ISSUES SEEKING, AT MOST, ITS SUPPORT AND,
AT A MINIMUM, A WILLINGNESS TO LISTEN AND UNDERSTAND.

14. D. INVESTMENT AND TRADE. WITH OIL AND IRON-STEEL
NATIONALIZATION ACCOMPLISHED FACTS, THE MAJOR
CONFRONTATIONS IN THIS AREA HAVE DISAPPEARED. SOME
IRRITANTS MAY CONTINUE OVER OLD MATTERS SUCH AS
IMPLEMENTATION OF THE OIL NATIONALIZATION AGREEMENTS,
BACK TAXES AND SUCH ISSUES AS OWENS-ILLINOIS, BUT
THESE NEED NOT GROW INTO MAJOR PROBLEMS. WE
DO NOT EXPECT THAT THE GOV WILL BE VERY
SYMPATHETIC TO LARGE FOREIGN EQUITY INVESTMENT,
AND REGULATION OF FOREIGN ECONOMIC PARTICIPATION
CAN BE EXPECTED TO BE INCREASINGLY TIGHT. AN
IMPORTANT ISSUE FOR US WILL BE TO WEIGH OUR
REACTION TO THESE MORE CONCRETE AND SHORT TERM
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PAGE 03 CARACA 00654 02 OF 02 212258Z

INTERESTS AGAINST LARGER BUT LESS TANGIBLE INTERESTS
SUCH AS U.S.-VENEZUELAN COOPERATION IN INTERNATIONAL
ECONOMIC MATTERS. TRADE IS A "NATURAL" FOR
COOPERATION. BOTH SIDES WANT AND NEED IT. AD HOC
DISINCENTIVES LIKE THE PREFERENCES EXCLUSION IN THE
TRADE ACT SHOULD BE ELIMINATED. EXPORT PROMOTION
OFFERS EXCELLENT PROSPECTS. VENEZUELA'S DESIRE
FOR TECHNOLOGY OFFERS IDEAL OPPORTUNITIES FOR
U.S. FIRMS E.G. TECHNICAL ASSISTANCE CONTRACTS.

15. E. EDUCATION AND TECHNOLOGY. VENEZUELAN CIR-
CUMSTANCES OFFER UNIQUE OPPORTUNITIES FOR THE U.S.--
AS A SOCIETY--TO INCREASE ITS LINKS WITH, AND
INFLUENCE ON, VENEZUELAN SOCIETY. THESE CIRCUMSTANCES
REFER TO VENEZUELA'S GREAT NEED FOR HELP IN TRAINING

SKILLED AND SEMI-SKILLED MANPOWER AND ITS GREAT ADMIRATION FOR U.S. TECHNOLOGICAL AND SOCIETAL ACHIEVEMENTS. SINCE WE HAVE FEW BIG OFFICIAL PROGRAMS--AID, PEACE CORPS--WHICH CAN SERVE AS TRANS-SOCIETAL TIES, WE SHOULD STIMULATE SUCH THINGS AS CULTURAL EXCHANGE, TECHNOLOGY TRANSFER, EDUCATIONAL TRAINING, ETC. THROUGH BOTH PUBLIC AND PRIVATE CHANNELS.

16. F. VENEZUELA'S DEMOCRACY. FINALLY, WE SHOULD ASK OURSELVES ONE FUNDAMENTAL QUESTION. HOW IMPORTANT TO US IS THE SURVIVAL OF VENEZUELA'S DEMOCRACY IN THIS DAY OF HUMAN RIGHTS AND CONCERN WITH POLITICAL SYSTEMS? THE ANSWER TO THIS QUESTION WILL SHAPE OUR DAY-TO-DAY POLICIES AND CAN PROVIDE A COHESIVE FRAMEWORK FOR TOTAL POLICY. FOR WE WILL ACT ONE WAY WITH REGARD TO TRADE, INVESTMENT DISPUTES, EDUCATIONAL EXCHANGE, INTERNATIONAL COOPERATION, IF THIS IS OUR FUNDAMENTAL OBJECTIVE, AND ANOTHER WAY IF WE DO NOT CARE. WE SUGGEST THAT WE MUST NOW THINK LONG AND HARD ABOUT WHETHER WE CAN

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PAGE 04 CARACA 00654 02 OF 02 212258Z

CONTRIBUTE TO STRENGTHENING VENEZUELA'S INTERNAL DEMOCRATIC SYSTEM--ESPECIALLY IN THE YEARS OF DIFFICULT ECONOMIC AND POLITICAL DEVELOPMENT CHOICES IT PROBABLY FACES AFTER 1980.

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